

State and Federal Tax Credit Criteria

What are the key points of the Federal Historic Rehabilitation Tax Credit?



Pullen Building, Georgetown, before and after rehabilitation

The Tax Reform Act of 1986 provides a 20% federal investment tax credit for the rehabilitation of certified historic properties. In order to receive this tax credit, the property must be income-producing and the rehabilitation work must first be certified by KHC and the National Park Service as being in conformance with the [Secretary of the Interior's Standards](#) for rehabilitation.

The role of the Kentucky Heritage Council in this application process is to advise applicants of information necessary to complete their applications, to review the significance of the buildings, and to evaluate the rehabilitation work using the Secretary of the Interior's Standards. When the proposed work does not appear to meet the standards, Kentucky Heritage Council staff will advise the applicant on how the project may be revised in order to comply with the standards and receive the tax credits.

Upon completion of the state-level review, the Kentucky Heritage Council will make a recommendation and forward the application to the National Park Service in Washington, D.C. It is the this federal agency's legal responsibility to certify or deny applicants for tax benefits. While the Kentucky Heritage Council does not charge any fees for state-level review, the National Park Service does charge a processing fee which is based on the dollar amount spent on the rehabilitation. However, you are not required to send any payment until it is specifically requested by NPS.

Most successful projects are those that are planned well enough in advance to allow review and preliminary certification of rehabilitation work prior to the initiation of construction work.

For more information about the Federal Historic Rehabilitation Tax Credit, visit the [National Park Service Technical Preservation Services](#) website or see the [Federal Tax Incentives for Rehabilitating Historic Buildings](#) Annual Report for FY 2018 for more.

How does the Kentucky Historic Preservation Tax Credit compare?

The Kentucky Historic Preservation Tax Credit was implemented in 2005, and with the exception of owner-occupied projects, this incentive can often be utilized in tandem with the federal credit. Key provisions are:

- 30% of qualified rehabilitation expenses for owner-occupied residential properties. A minimum investment of \$20,000 is required, with the total credit not to exceed \$60,000
- 20% of qualified rehabilitation expenses for all other properties, requiring a minimum investment of \$20,000 or the adjusted basis, whichever is greater. The total credit for a project must not exceed \$400,000
- "Other" properties include commercial and industrial buildings, income-producing properties, historic landscapes and properties owned by governments and non-profit organizations

Those eligible to apply for the credit include:

- Individuals
- Businesses
- Non-profit organizations
- Governments
- A "first purchaser" of a principal residence following rehabilitation

Currently the amount of historic preservation tax credits allowed for all taxpayers for each calendar year is \$5 million. If that limit is exceeded by approved projects, an apportionment formula will be applied to determine the amount of the credit that will be awarded per project. As a result, the final credit awarded to each project may be less than the entire percentage for which the project is eligible.